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Contribution to Financial Sitrep
18 June 1985

Yugoslavia

No progress was made in resolving the impasse between Yugoslavia and bank creditors on rescheduling terms during a 22 May meeting in Belgrade [redacted]

[redacted] Maintaining a hard line, the Yugoslavs refused to accept IMF monitoring over the full life of the rescheduling, protested the interest rate proposed by the banks was too high, and demanded that the terms for Yugoslavia be in line with those granted to Mexico last year. [redacted]

Yugoslavia's chief debt negotiator and the chairman of the banks International Coordinating Committee (ICC) were tentatively scheduled to meet on 12 June to clarify the IMF's monitoring role and to find a basis for another negotiating session with the full ICC in late June or early July. [redacted]

[redacted] The current payment standstill period ends on 30 June, and Yugoslavia may draw on the next tranche of its IMF standby credit in August 1985 only if it has reached agreement with its commercial bank creditors. [redacted]

Although Yugoslavia's balance of payments position has showed some improvement since January, the first quarter ended with a hard currency current account deficit of \$222 million in

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sharp contrast to the \$42 million surplus in the first quarter of 1984. The hard currency trade deficit for the first quarter reached \$376 million dollars, up from nearly \$140 million in the same period of 1984. Through the first four months of this year, hard currency exports have fallen 5 percent from last year's level, while imports have risen 11 percent. [redacted]

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Poland

According to press reports, Polish Foreign Minister Olszowski announced that Poland is ready to sign the rescheduling agreement with the Paris Club covering 1982-84 obligations. Olszowski indicated the signing will take place during the week of 1 July. Warsaw had delayed signature on grounds that it could not live up to the terms of the agreement without assurances of new credits. The Poles, however, have not received any firm commitment as yet. France, West Germany, and Switzerland have indicated they would extend small amounts of credit only after conclusion of a 1985 rescheduling agreement. Warsaw may have decided to go ahead with signing the 1982-84 agreement in hopes that it will have more success in obtaining credit commitments in bilateral negotiations with Western governments. At the May Paris Club meeting, the creditors told the Poles that they would discuss other solutions at a future date if Warsaw cannot meet payments due under the rescheduling agreement.

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